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Lawmakers pass bill enabling more child care employees to access the child care subsidy for their own family needs

LINCOLN – More parents who work in Nebraska child care programs will be able to access the federal child care subsidy program for their own child care needs due to legislation that passed Final Reading in the Unicameral and was approved by Governor Pillen on April 15. LB856, introduced by State Senator John Fredrickson (District 20) addresses technical obstacles that could otherwise prevent eligible child care employees from benefitting from the subsidy if their own children are receiving care in the same programs where they work.

Senator Fredrickson developed LB856 to address some of the key challenges of recruiting and retaining talent in the state’s early childhood workforce. Since 2019, Nebraska has lost about 12% of its licensed child care programs, while 30% of the state’s child care workforce turned over in 2023 alone.¹ Many who leave their jobs in child care do so because their employers cannot pay a competitive wage while meeting the high costs of operating safe, developmentally appropriate early care and education programs. Of those who are currently employed in Nebraska child care programs, about 30% are working parents with young children of their own.² All too often, these parents represent the central paradox of a broken child care system in which child care employees struggle to afford the same services they deliver to other families.

As originally drafted, LB856 excluded the income eligibility requirements of the child care subsidy for qualifying parents employed in child care programs. In effect, this was intended to make child care careers a more viable option for working parents and help mitigate the child care shortage affecting all sectors of the Nebraska workforce. A variety of private-sector interests endorsed the bill, including First Five Nebraska, Nebraska Chamber of Commerce & Industry, Nebraska Economic Developers Association, Nebraska Farm Bureau and the Platte Institute. Similarly, strong bipartisan support for the bill throughout the session showed that lawmakers are willing to find common ground on legislation that strengthens the early childhood workforce.

However, when the state budget passed on April 2, Nebraska legislators were left with only \$20M with which to address all other funding requests this session—not nearly enough to fund the vast majority of bills introduced in 2024. This included LB856, which carried its own fiscal note of \$10M.

Although LB856 could not advance to Final Reading with its subsidy income eligibility inclusion left intact, Senator Fredrickson worked to retain an amendment that included important technical changes to certain subsidy regulations that affect parents who work in the child care industry and meet current income eligibility criteria. Specifically, these changes will relax restrictions that prevent a child care program from receiving a

subsidy reimbursement for children under the direct care of their own parents who are employed by the program. This is particularly common in smaller programs with limited staff where employees cannot be reasonably kept separate from their own children. The amendment also contains provisions that will allow licensed child care providers who meet subsidy eligibility requirements to enroll their own children in other programs to receive subsidized care.

Senator Fredrickson said the idea for the technical amendment was based on direct input from the child care community, as well as conversations with Governor Pillen's office about making sure the state was not "picking winners and losers" among programs who could benefit from the subsidy. He also said he introduced LR427, an upcoming interim study to examine uses of the subsidy to strengthen the child care workforce.

Although Senator Fredrickson regrets that the original version of the bill could not move forward this session, he also believes taking the smaller step now will allow lawmakers to further analyze the data on which LB856 was based. It will also give the Nebraska Department of Health and Human Services time to structure rules and regulations around the provisions of the bill before they go into effect in July 2025.

"I promise to bring another version of this bill back next year," said Senator Fredrickson. "We have to ensure the child care subsidy serves as the vehicle we need it to be for recruiting and retaining the child care workforce we must have in place to address our state's larger workforce challenges."

First Five Nebraska (FFN) Policy Advisor Dr. Katie Bass worked closely with Senator Fredrickson on LB856 before and during the 2024 legislative session. "Other states have already successfully implemented similar programs, or are currently advancing legislation to do so," she said. "Given the compounding effects a failing early care and education system can have on our society and economy, we can't afford to lag behind in creating a highly skilled, financially viable child care workforce."

About First Five Nebraska

First Five Nebraska (FFN) is a non-partisan public policy organization established in 2011 to strengthen the state's early childhood systems as a key driver of social, educational and economic opportunity for all Nebraskans. FFN works with officials in local, state and federal government, business and economic leaders, early childhood professionals and other stakeholders to identify, research and promote well-informed, fiscally responsible policies and solutions addressing the care, education and healthy development of young children, wherever they are being cared for. For more information, visit www.FirstFiveNebraska.org.

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